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C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 001038

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SUBJECT: NEW GOVERNMENT TAKES OFFICE, WINS APPROVAL FOR  
PLAN TO TACKLE ECONOMIC CRISIS

REF: 07 VILNIUS 202

Classified By: Ambassador John Cloud for reasons 1.4(b) and (d)

¶1. (U) Summary: Lithuania's new prime minister, Andrius Kubilius, and center-right coalition Cabinet took oaths of office on December 9 and won approval for their program, which focuses largely on minimizing the effect on Lithuania of the world economic crisis. The program also emphasizes deeper ties with the EU and United States and stable relations with Russia. End summary.

¶2. (U) Lithuania's fifteenth government since regaining independence was sworn in December 9. The four-party, center-right coalition led by the Conservatives replaced a Social Democrat-led coalition in power since July 2006. The Seimas (parliament) also approved the government's program.

¶3. (U) New Prime Minister Andrius Kubilius, 52, is leader of the Homeland Union-Lithuanian Christian Democrats, commonly known as the Conservatives. Kubilius had a leadership role in Lithuania's liberation movement and has been in the Seimas since 1992. After serving as prime minister in 1999-2000, he was credited with reorienting Lithuania's economy toward the West and having mitigated some of the harshest consequences of the Russian financial crisis of that time.

¶4. (U) In addition to the Conservatives, the governing coalition includes the Liberal Movement and Liberal and Center Union, two pro-business parties that split from each other due to a leadership dispute in 2006. The Liberal and Center Union was also part of the previous governing coalition. The fourth coalition partner, the National Revival Party, was formed in 2008. It filled its ranks with show-business and TV-journalism celebrities, including new Seimas speaker Arunas Valinskas. The party ran on a platform of responsible government and taking votes away from Lithuania's populist parties, but has not elaborated its policies further.

¶5. (U) In presenting its program, the new government listed its strategic priorities: navigating the global economic crisis without grievous harm to state finances; implementing reforms in energy policy, government structure, health care, education, business innovation, and the fights against corruption and socioeconomic inequalities; and providing responsible leadership based on openness and public dialogue.

¶6. (U) The new government pledged to move forward quickly with its "anti-crisis plan," which aims to restore and preserve fiscal health in a time of global recession. Key elements of the plan include cutting the personal income tax rate by 4 percent while raising the VAT rate by 1 percent, abolishing most VAT exemptions, increasing excise duties on fuel and alcohol, increasing taxes on dividends by a third to 20 percent, and reducing government expenditures by an average of 15 percent. The government also plans to increase access to credit for businesses, encourage banks to lend to start-up businesses, reduce social payments and government salaries, slash spending for road construction and

maintenance, and shelve long-term construction projects in favor of shorter-term construction and renovation of housing units. The new government says savings and revenue increases from these actions will total USD 2 billion.

17. (U) The government's action plan also calls for strengthened solidarity within the EU and stronger EU-U.S. relations. Lithuania will strive for good relations with Russia, paying particular attention to the Kaliningrad enclave that borders Lithuania, and will continue to support Euro-Atlantic integration for countries such as Ukraine, Moldova and Georgia.

18. (U) The new GOL also will seek an effective EU energy strategy that will not leave Lithuania dependent on Russia for its energy needs. Kubilius also plans to split the Ministry of Economy into a Ministry of Energy and a Ministry of Innovation, Business and Labor. The candidate for Energy Minister has been identified, but cannot be proposed until the Seimas approves the split.

19. (C) Here are brief biographies of the Cabinet members, only six of whom are members of the Seimas. More detailed biographies will be sent via e-mail to INR/B:

-- Minister of Health Algis Caplikas (AL-giss CHAP-lih-kuss), 46, has previously served as Minister of Construction and Urban Development and Minister of Environment. He is a construction engineer by trade but has been an elected official, both in the Seimas and the Vilnius City Council, since 1995.

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-- Minister of Social Security and Labor Rimantas Dagys (ree-MAN-tuss da-GEES), 51, is a biochemist by training, but has spent 12 of the last 16 years in the Seimas, where he is a member of the American Caucus.

-- Minister of Defense Rasa Juknevičienė (RAH-sah yook-NEV-i-cheh-neh), 50, is Lithuania's first female defense minister, and the sole female member of this Cabinet. She has long been an ardent supporter of the United States, NATO and the EU, and is openly critical of Russia. She is deputy chairwoman of the Conservative party. Post worked closely with Juknevičienė following last year's State Security (VSD) crisis (reftel) to expose her to the American system of intelligence oversight.

-- Minister of Environment Gediminas Kazlauskas (GEH-dih-mee-nas kaz-LOW-skas), 49, has worked in construction management, most recently as CEO of a construction company. He was nominated for his post by the National Revival Party, to which his company had made the maximum legal campaign contribution. He is not a member of the Seimas.

-- Minister of Economy Dainius Kreivys (DAY-nee-yuss kray-VEES), 38, is a businessman who has written on market behavior and macroeconomics. He is not a Seimas member. Most recently he was CEO of a furniture company and a board member of several other firms.

-- Minister of Transportation Elgijus Masiulis (EL-gee-yuss mah-SOO-lis), 34, became leader of the Liberal Movement in early 2008. He has been a Seimas member since 2000 and is in the American Caucus. He has a master's degree in political science, and has held no jobs outside of politics.

-- Minister of Interior Raimundas Palaitis (ray-MOON-duss pah-LAY-tis), 51, was in the Seimas, where he served as deputy chairman of the budget committee, for eight years before losing a re-election bid in 2008. He was nominated for his post by the Liberal and Center Union. He has worked as a computer programmer and securities trader.

-- Minister of Finance Algirdas Semeta (AL-gir-duss she-MEH-tah), 46, was previously Finance Minister (1997-99). He also has been deputy head of the government's privatization office, head of the Securities and Exchange Commission, director general of the government's statistics agency and the Government Secretary, responsible for coordinating the civil service. He is not a Seimas member.

-- Minister of Justice Remigijus Simasius (reh-MIG-ee-yuss shi-MAH-shyuss), 34, was until recently the president of the Lithuanian Free Market Institute, a leading think tank. He studied at the Ludwig von Mises Institute in Alabama, and has been an intern at the Heritage Foundation in Washington and a board member of Transparency International's Lithuania chapter. He is an expert on competition economics and NGO law and has worked on privatization, education reform and public procurement. He is not a Seimas member.

-- Minister of Agriculture Kazys Starkevicius (kah-ZEES star-KEH-vih-chuss), 52, is a lawyer and former deputy mayor and city administrator of Kaunas, Lithuania's second city. He was a founder of the Farmers Union of Lithuania and helped lead the Lithuanian Family Farmers Union. His wife is a farmer. He has been a Seimas member since 2004.

-- Minister of Education and Science Gintaras Steponavicius (GIN-tah-russ steh-poh-NAV-ih-chuss), 41, is a lawyer who has been involved with liberal-party politics since his student days. He has been in the Seimas since 2000, and is a strong supporter of the EU and United States, as well as of human-rights issues.

-- Minister of Foreign Affairs Vygaudas Usackas (VEE-goh-duss oo-SHATS-kuss), 43, served as Lithuania's ambassador to the United States from 2001 until 2006, after which he became ambassador to the United Kingdom. At the Foreign Ministry he has been a NATO liaison in Brussels, Lithuania's chief negotiator on EU accession, and deputy foreign minister. He is not a member of the Seimas.

-- Minister of Culture Remigijus Vilkaitis (reh-MIH-gee-yuss vil-KAI-tis), 58, is a popular stage actor who worked for many years at the Lithuanian State Youth Theater. He also has been involved with radio and television productions, and has taught at the Vilnius Conservatory. He was nominated by the celebrity-laden National Revival Party. He is not a member of the Seimas.

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